

Message Text

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PAGE 01 BELIZE 00310 140554Z

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ACTION AGR-20

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FM AMCONSUL BELIZE

TO AMEMBASSY GUATEMALA

INFO SECSTATE WASHDC 3516

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GUATEMALA FOR AGATT

E.O. 11652: N/A

TAGS: EAGR, BH

SUBJECT: AGRICULTURAL PRODUCTION DISINCENTIVES

REF: GUATEMALA 2965

1. BELIZE HAS THREE MAJOR DISINCENTIVES WHICH HAVE TO DATE ALMOST ELIMINATED MUCH REAL INVESTMENT IN AGRICULTURE. TWO OF THESE DISINCENTIVES ARE LEGISLATIVE AND ONE IS STRUCTURAL.

2. THE TWO LEGISLATIVE DISINCENTIVES ARE PRICE CONTROLS AND THE ALIEN LANDHOLDING ACT.

- A. THE GOB HAS LEVIED PRICE CONTROLS ON NEARLY EVERY FOOD-STUFF. THE RESULT IS THAT INSTEAD OF SUPPLYING THE URBAN DWELLER WITH SUBSIDIZED FOOD AT THE EXPENSE OF THE PRODUCER, THE GOB HAS CREATED SHORTAGES. FOR INSTANCE, LOCAL FARMERS HAVE DECIDED THAT THEY CANNOT AFFORD TO GROW RICE AT THE CONTROLLED PRICE OF US DOLS 8.00 A HUNDREDWEIGHT. TO AVOID IMPORTING THE GOB HAS REQUIRED BIG FALLS RANCH TO SUPPLY THE LOCAL MARKET AT A CONTROLLED PRICE OF BZE DOLS 0.30 PER POUND. THIS PRICE IS IN CONTRAST TO THE BZE DOLS 0.60 PER POUND BIG FALLS RECEIVED FOR EXPORT RICE FOB. LOCAL

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PAGE 02 BELIZE 00310 140554Z

CONSUMPTION WILL TAKE ABOUT 50 PER CENT OF ITS PRODUCTION THIS

YEAR. OTHER EXAMPLES, LIKE RED KIDNEY BEANS, FRESH VEGETABLES, BEEF, PORK, POULTRY, ABOUND.

- B. THIS YEAR THE GOB APPROVED THE ALIEN LANDHOLDING ACT WHICH FORBIDS A FOREIGNER FROM BUYING LAND HERE UNTIL HE HAS OBTAINED A LICENSE FROM THE MINISTRY OF AGRICULTURE. THE LICENSE STIPULATES THE TERMS FOR THE DEVELOPMENT OF THE LAND, AND THE MINISTER CAN CHANGE THESE TERMS AT ANY TIME. FURTHER, IF THE MINISTRY BELIEVES THAT THE TERMS OF THE LICENSE HAVE BEEN VIOLATED, THEN ALL THE LAND AND EVERYTHING ON IT ARE FORFEITED TO THE CROWN. THE EFFECT IS THAT THERE IS NO CLEAR TITLE TO THE LAND. THUS, BANKS CANNOT FINANCE ANY FOREIGN-OWNED AGRICULTURAL PROJECTS HERE BECAUSE THERE IS NO COLLATERAL. THE RESULT HAS BEEN TO STIFLE ANY FOREIGN INTEREST HERE IN ANY PROJECT WHICH REQUIRES LAND.

3. THE THIRD DISINCENTIVE IS THE SIZE OF THE LOCAL MARKET. A TON OF TOMATOES, FOR EXAMPLE, DELIVERED IN BELIZE CITY WOULD FLOOD THE LOCAL MARKET. THUS, ANY COMMERCIAL AGRICULTURE IN BELIZE MUST BE ORIENTED TOWARD THE EXPORT MARKET. THE CAPITAL AND TECHNICAL KNOWLEDGE FOR THIS TYPE OF AGRICULTURE DOES NOT EXIST IN THE COUNTRY; ONLY FOREIGNERS COULD PROVIDE IT. HOWEVER, WITH THE ALIEN LANDHOLDING ACT FOREIGNERS HAVE BEEN EXCLUDED. CLEARLY, THE OUTLOOK FOR AGRICULTURE IN BELIZE, WITH THE EXCEPTION OF SUGAR AND CITRUS, IS BLEAK IN THE MEDIUM AND LONG TERM.

4. DECLASSIFY UPON RECEIPT. DRISCOLL

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